

Exhibit 1

Robert Klugman – January 28, 2021

Page 1

1 UNITED STATES DISTRICT COURT
2 SOUTHERN DISTRICT OF NEW YORK
3 CASE NO. 18-MD-2865 (LAK)

4 IN RE:)
)
)

5 CUSTOMS AND TAX ADMINISTRATION OF)
6 THE KINGDOM OF DENMARK)
(SKATTEFORVALTNINGEN) TAX REFUND)
7 SCHEME LITIGATION)

8 This document relates to case nos.)
19-cv-01783; 19-cv-01788; 19-cv-01794;)
19-cv-01798; 19-cv-01918)
9

10
11
12
13
14 REMOTE VTC VIDEOTAPED DEPOSITION UNDER ORAL

15 EXAMINATION OF

16 ROBERT KLUGMAN

17 DATE: January 28, 2021
18
19
20
21
22
23
24

25 REPORTED BY: MICHAEL FRIEDMAN, CCR

Robert Klugman - January 28, 2021

Page 231

1 Q It could or it would?

2 A Well, it depends on how the records
3 are prepared. I don't know what -- you know.

4 Q Well, any records that show cash
5 payments received, then the dividend should
6 show up.

7 Right?

8 A It should show up, yes, unless
9 there's a netting arrangement where they
10 don't actually receive the cash.

11 Q And what kind of netting
12 arrangement would that be?

13 A Any netting arrangement. If one
14 party owes the other money, and the other
15 party owes money back, you can just say,
16 "okay, no flows." I'm using a simplified
17 example.

18 But yeah, it doesn't necessarily
19 have to have cash flow to be entitled to a
20 cash payment. There's netting in financial
21 markets.

22 Q Right. But we're talking about
23 plans now.

24 What offsetting payment was due
25 from any plan that would cause the net

Robert Klugman - January 28, 2021

Page 232

1 dividend to be zeroed out?

2 A I don't know. It could be a
3 mark-to-market payment. I don't know.

4 I don't know the answer.

5 Q It could be a mark-to-market
6 payment?

7 A Yeah.

8 Q A mark-to-market payment is an
9 adjustment in value based on a fluctuation in
10 market price.

11 Right?

12 A That's right.

13 Q So it would be an extraordinary
14 coincidence if that adjustment of market
15 price happened to equal and exactly offset
16 3,869,527 kroner and 42 cents?

17 A Not necessarily.

18 THE VIDEOGRAPHER: The time is
19 4:57 p.m. and we're going off the
20 record.

21 (Whereupon a discussion was held
22 off the record.)

23 THE VIDEOGRAPHER: Stand by. The
24 time is 4:59 p.m. and we're back on
25 record.

Robert Klugman - January 28, 2021

Page 233

1 Q So, sir, we were just discussing
2 what circumstances would cause the net amount
3 of the dividend to be zeroed out on the
4 plan's records so that the entire and exact
5 amount of the dividend would not show up.

6 And I think you had mentioned --
7 was it mark-to-market?

8 A Yeah. Well, basically, you have a
9 transaction that's perfectly hedged.

10 So, in a perfectly hedged
11 transaction, you shouldn't be receiving free
12 cash flow of a dividend. It has to go
13 somewhere else.

14 If not, then you're just -- the
15 arbitrage is even bigger. You can't just --
16 you know, there has to be an offset in value
17 to the dividend.

18 Q So can you explain where is that
19 "somewhere else?" What is that offset?

20 A Well, I'm -- I'm having trouble,
21 but if you look at the three legs of the
22 transaction, you have a stock purchase, a
23 forward, and a forward sale. And the forward
24 sale price, ignoring -- this is just, in
25 general, how forwards are priced when you

Robert Klugman - January 28, 2021

Page 234

1 ignore -- just ignoring interest rates and
2 fees for a second -- the forward price will
3 reflect the price on the date of the forward,
4 less expected dividends.

5 So there's -- between the forward
6 and the purchase, there's a loss. And that
7 loss is offset equally and exactly by that
8 dividend amount, ignoring the bits of fees
9 and interest rate. But yeah.

10 Q So if that's a perfect match,
11 ignoring all of the transactional costs and
12 the interest, then you're saying the dividend
13 simply disappears?

14 MR. ALLISON: Object to form.

15 A I'm not saying the dividend
16 disappears, no. I'm saying that, overall,
17 the dividend is -- is netted out from net
18 cash flows.

19 Q Netted to zero?

20 A Along with all the other
21 transactions, yes. In the same way that when
22 you -- you know, if you buy the shares, and
23 then you receive money to pay for them, that
24 all nets out to zero.

25 Q And that's because, what, the price